

CITY OF MUKILTEO
Snohomish County, Washington
January 1, 1993 Through December 31, 1993

Schedule Of Findings

1. The City Should Establish Internal Accounting Controls Over Cash Receipts

The following internal control weaknesses were observed during our audit:

- a. Receipts were not always fully completed as to mode of payment and preparer.
- b. Cashiers did not reconcile receipts to payments before submitting them to the deputy clerk for deposit.
- c. Deposit slips did not indicate the breakdown of cash and/or checks deposited.
- d. Due to issuing procedures, sequential tracking of receipts could not be performed.
- e. Opening and closing cash counts and reconciliations were not documented.
- f. Mail was opened by only one person and in an untimely manner.
- g. Lack of segregation of duties existed between receipting, depositing, reconciling, and posting to the general ledger and subsidiary systems.
- h. Receipts were not always coded to the correct revenue accounts for fines, interest, and principal payments.
- i. Undeposited receipts and city check books were not retained in a place of safekeeping with limited access.

The internal control weaknesses identified above decrease the accountability over the cash receipting system. In addition, they could allow errors and/or irregularities to occur without being detected in a timely manner.

We recommend that city officials establish internal accounting and administrative controls over cash receipts.

2. City Officials Should Establish Internal Controls Over Grants

During our review of the city's grant records and the Schedule of State Financial Assistance we noted the following:

- a. City officials have not established policies and procedures for grant accounting and administration.
- b. Responsibility for grant accounting and administration has not been delegated to specific personnel.
- c. Grant accounting is not integrated with the general accounting system.
- d. Project codes are not assigned to grant programs to provide for account coding by program/activity/function.
- e. Our audit of the Schedule of State Financial Assistance revealed the following:
 - (1) Some revenues and expenditures attributable to fiscal years 1992 and 1994 were included on the 1993 schedule.
 - (2) One grant pertaining to fiscal year 1993 was not included on the schedule.
 - (3) Some grants were reported on a cash basis.
 - (4) Expenditures reported for several grants could not be supported by accounting information or project files.
- f. For several grants, reimbursement requests could not be supported by accounting records and/or contained costs and revenues that overlapped grant periods.
- g. Untimely reimbursement requests for the city's Wastewater Facilities Grant contained ineligible costs. Activity which was reported on the 1993 Schedule of State Financial Assistance actually pertained to prior years. The grant period expired in 1992.

The lack of internal controls over grant accounting and administration can result in improper use of grant funds, inaccurate reporting to state agencies, noncompliance with period of eligibility requirements, and lack of support for grant expenditures reported on reimbursement requests and the Schedule of State Financial Assistance.

We could not issue an opinion on the city's 1993 Schedule of State Financial Assistance due to lack of supporting documents needed to substantiate all of the information reported. We could not determine the correct beginning balances or the correct current year expenditures and revenues to be reported for all of the grants on the schedule. The 1993 schedule is not included in our report.

Granting agencies need to be assured that their financial assistance is used appropriately and accounted for properly. The lack of internal controls and inaccurate reporting prevents this assurance.

We recommend that the city establish internal controls over grant accounting and administration.